

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 IO-14 NEA-11 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

AGR-20 SCI-06 FEA-02 INT-08 DODE-00 PM-07 H-03 L-03

NSC-10 PA-04 PRS-01 SS-20 USIA-15 SAM-01 DRC-01

(ISO) W

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R 052202Z FEB 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2666

INFO USMISSION OECD PARIS

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STATE ALSO FOR T/IEP

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: ENRG ECON CA

SUBJECT: ENERGY: CANADIAN ECONOMIC FORECAST

1. ECONOMIC FORECASTS FOR 1974 RELEASED LAST WEEK BY ROYAL BANK (CANADA'S LARGEST CHARTERED BANK) AND A.E. AMES & COMPANY (MAJOR SECURITIES DEALER) PREDICTING, REPECTIVELY, REAL GROWTH OF 4.5 PERCENT AND 5.3 PERCENT WITH GNP PRICE DEFLATOR OF 7.5. AND 5.5 PERCENT. THE INSTITUTIONS ESTIMATE CONSUMER PRICE INDEX (CPI) RISES AT 9-10 PERCENT (ROYAL) AND 6.5 PERCENT (AMES).

2. AS UNDERScoreD IN REFTELS, DECISIVE FACTOR IN FORECASTS HAS BEEN ASSUMPTION REGARDING IMPACT OF OIL SHORTAGE ON LIMITED OFFICIAL USE

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ECONOMY. THOSE SEEING LITTLE IMPACT (E.G. AMES WHICH

ASSUMES "ONLY" EFFECT WILL BE TO DIMINISH EXPORT GROWTH
TO EURPE AND JAPAN) ARE BULLISH ON ECONOMY AS A WHOLE,
WHILE THOSE FORECASTING MAJOR DISLOCATIONS -- E.G., A
SLUGGISH U.S. PERFORMANCE REDUCING DEMAND FOR CANADIAN
EXPORTS -- VALL FOR SLOWER REAL GROWTH OF ABOUT 3.5
PERCENT. OECD SECRETARIAT PROJECTIONS (OECD PARIS
2896) PROVIDE GOOD MID-POINT THAT WE SUGGEST DEPARTMENT
USE WHEN ASSEMBLING OUTLOOK DATA ON ECONOMY. SECRETARIAT
ESTIMATES OF 8 PERCENT FOR CPI INCREASE AND GNP DEFLATOR
SUGGEST IMPROVED PERFORMANCE ON FOOD PRICES (WHICH
HEAVILY WEIGHT CPI) OVER FINAL MONTHS OF 1973 WITH
INCREASE IN DEFLATOR CAUSE MAINLY BY HIGHER
INDUSTRIAL COSTS ATTRIBUTABLE IN PART TO MATERIALS
SHORTAGES AND HIGHER WAGE COSTS.
JOHNSON

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Message Attributes

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